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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
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A Special Thank You

Our ability to report on current Virginia business indicators rests solely on the cooperation of the over two hundred organizations that provide us, at their own expense, with data each month. We at the Bureau of Business Research wish to say Thank You to our many contributors for this public service they perform so conscientiously.
Leland E. Traywick, Ph.D., *Director*

Summary for 1983

In reviewing the Virginia economy's performance in 1983 and the perspective that provides for 1984, we will focus on six of the indicators published monthly. These Report series contain two leading indicators, building permits and new car registrations. Building permits quite logically precede a change in business activity since permits are obtained before construction begins. Also, construction plans are long-term decisions sensitive to both the longer range outlook and interest rates, and such plans typically increase before the general level of output begins to rise. Similarly, new car registrations are an indicator of consumer durable goods demand, which also is sensitive to a long-range view and interest rates, and frequently is a leading component in economic recovery.

Two retail sales measures are included. The broadest measure is sales subject to the Virginia general sales tax, reported with a one-month lag by the Virginia Department of Taxation and shown in the last column in Tables II and III. These taxable sales include a broad range of durable goods (other than automobiles) as well as non-durables and services, purchased by businesses as well as consumers. Even though the data lags one month, the series is a key indicator because it tends to lead slightly in a recovery. The second retail sales measure, shown in the next to the last column in Tables II and III, is constructed monthly by a Bureau survey of retail businesses. This survey-based retail index primarily reflects consumer purchases of non-durable goods, such as clothing and food, and services. Therefore this series is the less volatile of the two. It also is more indicative of the underlying trend in the major components of consumer spending and tends to either coincide with or lag somewhat behind the turning points in overall economic activity.

Electricity consumed also is a significant indicator. Weather, of course, has a strong impact on this variable, so judgment must be used in interpreting its movements. However such consumption also directly reflects increases in manufacturing and other business activity as well as household use, and its movements tend to coincide with general turns in the economy.

The sixth indicator is employment, the major concern of individuals and government. Employment generally lags somewhat as a recovery begins, because businesses initially increase production and hours with their existing workforce before hiring new employees. Therefore growth in employment is a signal confirming that the recovery is well underway, and further increases in output, income, and retail trade can be expected.

In sum, by tracking the percentage changes in these six series, one generally can observe advance signals of a cyclical turn, identify when the overall economy is reversing direc-

Chart I

Nine Selected Business & Economic Indicators Percentage Change

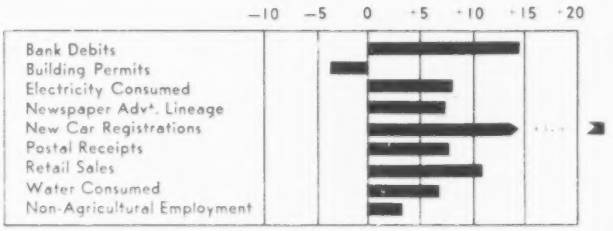
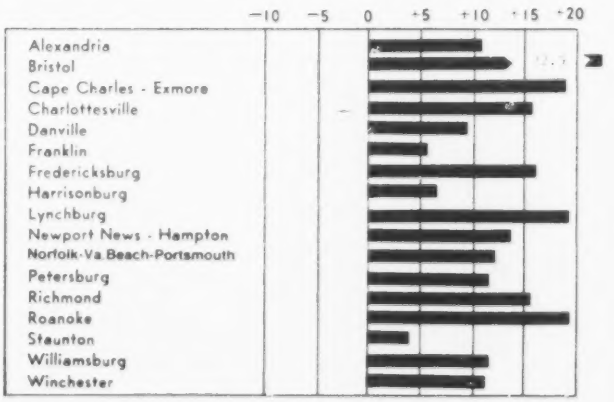


Chart II

City Indices



tion, and assess whether or not the new direction is developing sustainable momentum.

Let us review 1983 by recapping how these six indicators behaved, based primarily on their monthly percentage changes from the same month in the preceding year. Building permits showed huge monthly percentage increases from September 1982 through January 1983, and new car registrations grew at double-digit rates in November (13.6 percent), December (18.9 percent), and January (19.1 percent). The increase in these two leading indicators caused Virginians to ask the question being heard nationwide: was the long-awaited recovery beginning? The two retail sales measures both showed strong increases in December 1982, making the answer "probably, but we can't be sure yet."

February definitely left a question mark in people's minds: the monthly changes were much lower for building permits and retail sales than they had been at the end of 1982, new car registrations declined by 1.1 percent compared to February 1982, electricity consumption declined, and non-agricultural employment was slightly below the level in the preceding February.

March, April and May provided the evidence that the Virginia economic recovery had in fact begun. Building permits rose 26.6 percent in March, 67.8 percent in April, and 55.0 percent in May. New car registrations in those same three months grew 16.6 percent, 74.5 percent, and 23.2 percent, respectively. Taxable retail sales (the Virginia Department of Taxation series) showed accelerating gains of 8.9 percent, 9.6 percent, and 12.3 percent. The confirmation of recovery came in the electrical consumption increases of 8.1 percent in April and 6.9 percent in May; and, most importantly, the fact that employment finally began to increase—a 0.2 percent gain in April and 0.7 percent for May. Virginia output, income, and employment were definitely rising, insuring continued recovery at least for the next few months.

The question then became whether or not this recovery would develop the momentum to last beyond 1983—the short-lived recovery in 1980-81 still was a fresh and painful memory. The summer months gave strong signals that such momentum was developing. Building permits and new car registrations grew at rates well above predictions, both in Virginia and nationwide. In Virginia, the monthly growth rates for building permits were: June, 91.3 percent; July, 70.6 percent; and August, 99.8 percent. New car registrations grew 24.9 percent in June, followed by a spectacular 50.5 percent in July and 15.0 percent in August. Thus the two major leading indicators were soaring, pointing to a healthy economy in the fall. The likelihood that the recovery would endure was more directly shown by the other four indicators. Taxable retail sales grew 10.0 percent in June, 20.9 percent in July, and 24.7 percent in August, reflecting the nationwide surge in general consumer spending. The Bureau's survey-based retail sales index showed lower gains (as expected, due to the structure of the series), but steady monthly increases of 12.1 percent, 6.4 percent and 10.0 percent. Electricity consumption also grew steadily. Most importantly, employment growth began to rise: the monthly percent changes were 1.2 percent in June, 1.4 percent in July, and 0.9 percent in August. Thus, the behavior of all six indicators in the summer months of 1983 left little doubt that the recovery would continue for the remainder of the year. Now the public's concern shifted to what signals the fourth quarter would give for 1984.

Building permits rose 74.4 percent in October, followed by a 1.9 percent gain in November and a 3.7 percent decline in December. For perspective, recall that November and December 1982 had shown huge monthly gains over 1981: 73.3 percent and 59.3 percent respectively. Thus, the lack of significant gains at the end of 1983 means building permits, and the construction to follow, were leveling off at a high rate. The indication is construction will be a steady force helping to sustain the economy in 1984; and it may show some modest growth, based largely on business construction. But the recovery-phase surge in construction, which produced monthly growth rates approaching 100 percent during the summer of 1983, is over. The Virginia economy is moving from the recovery phase of the cycle to the expansion phase, where continued growth depends more heavily on moderate increases in *all* sectors of the economy rather than a spectacular stimulus from a few leading ones.

New car registrations, our other leading indicator, did not follow the pattern of building permits. The registrations grew 23.5 percent in October, 19.0 percent in November, and finished the year with an impressive 43.4 percent gain in December. This fourth quarter performance suggests the boom in consumer durables purchases is far from over. For automobiles, the growth rates generally will be lower in 1984, but we expect frequent double-digit monthly increases.

For retail trade in general, the taxable sales series showed a 25.7 percent gain in October; and in November, 19.4 percent. The Department of Taxation figures for December will not be available until next month, but that report should show about a 19 percent monthly increase over December 1982. The Bureau's survey-based retail sales index, weighted towards non-durables and services, showed a disappointing 4.5 percent increase in October, followed by an 8.8 percent gain in November and 10.8 percent December growth. Therefore both of our retail sales measures reveal a strong momentum in general retail trade, carrying over into 1984. With personal income rising at a steady rate nationwide as well as in Virginia, the taxable sales index should show average monthly growth rates in the 10 percent range in 1984.

The best fourth quarter indicators of steady expansion for Virginia in 1984 are the performance of the electricity consumption and employment series. In each month of the fourth quarter 1983, the growth rates for electricity consumed were above the annual rate. For employment the growth rate has been accelerating since September. The non-agricultural employment growth rates were 1.8 percent for September, 2.4 percent in both October and November, and 2.7 percent in December. Thus output and employment in most Virginia industries apparently were accelerating at the end of 1983, and there were 58,300 more persons employed in December 1983 than in the preceding December. The higher personal income these developments are generating for Virginians will be a major force in sustaining the expansion as they spend a large part of this income at Virginia businesses, creating additional income and job opportunities. Plus, the continued recovery and rising income in other states is creating the means for increased tourist visitation to Virginia, another source of strength for 1984.

So, 1983 was a year of substantial economic recovery in Virginia. The cumulative changes for the year, reported in Table III, show just how substantial the gains were. For the State, total employment rose 1.2 percent for the year. Building permits rose 42.8 percent, new car registrations increased 25.7 percent, and the survey-based retail sales growth was 10.1 percent. Therefore construction, consumer durable purchases, and spending for non-durables and services all grew at high rates. The 1983 growth of other indicators, such as 8.8 percent in newspaper advertising lineage, 6.8 percent for postal receipts, and 6.1 percent in electricity consumption are clear signs that the recovery was broadly based, including the communications, services, and manufacturing sectors as well as retail trade.

The monthly patterns of the 1983 recovery lead to a prognosis for a very healthy economic expansion in Virginia for the next twelve months. For 1984, the slogan "We have it made in Virginia" seems very appropriate.

Roy L. Pearson

SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I December 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		309.6	59.9	122.2	121.9	91.5	113.7	86.6	255.2	193.3
Alexandria	230.5	503.4	54.1	132.8	N.A.	137.5	120.1	95.4	284.9	N.A.
Bristol	162.0	256.6	94.2	107.8	140.2	45.6	N.A.	83.4	195.9	236.4
Cape Charles - Exmore	149.2	207.0	128.6	105.8	N.A.	114.9	N.A.	N.A.	134.9	211.9
Charlottesville	210.7	267.3	857.1	119.6	N.A.	79.9	N.A.	122.5	287.2	234.8
Danville	152.5	N.A.	57.0	109.7	137.9	81.7	N.A.	69.2	220.3	160.5
Franklin	150.1	N.A.	N.A.	127.3	137.9	67.3	N.A.	98.6	176.7	239.6
Fredericksburg	171.0	192.3	52.6	N.A.	141.9	111.9	N.A.	55.9	212.3	229.2
Harrisonburg	168.6	205.6	529.5	N.A.	154.1	65.7	N.A.	120.1	193.6	222.6
Lynchburg	219.8	519.4	39.2	121.9	N.A.	28.7	N.A.	126.8	220.1	301.1
Newport News - Hampton	167.6	241.2	88.5	100.8	106.6	89.7	119.3	112.6	246.2	N.A.
Norfolk - Va. Beach - Portsmouth	204.0	265.3	241.6	131.5	119.5	98.7	119.2	73.9	342.5	N.A.
Petersburg	141.4	131.1	13.2	N.A.	91.3	50.8	N.A.	90.3	207.6	145.1
Richmond	179.1	321.9	N.A.	120.4	112.0	81.0	114.0	95.3	253.1	187.2
Roanoke	163.2	288.1	30.4	103.6	147.3	70.0	111.8	99.6	196.7	221.6
Staunton	169.4	184.1	27.7	N.A.	78.2	85.9	N.A.	N.A.	197.5	245.1
Williamsburg	181.2	239.8	110.1	143.8	N.A.	98.3	N.A.	83.5	181.3	340.4
Winchester	162.5	261.3	90.8	120.9	173.5	88.2	N.A.	120.4	178.5	N.A.

TABLE II December 1983

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Nov. RETAIL SALES ‡
The State		14.5	-3.7	7.6	6.2	43.4	2.7	6.6	10.6	19.4
Alexandria	10.6	7.6	-88.0	6.1	N.A.	35.5	4.5	9.7	7.2	25.8
Bristol	22.5	-13.8	11.2	9.3	17.7	64.8	N.A.	21.6	26.7	30.3
Cape Charles - Exmore	18.9	39.1	6.6	2.4	N.A.	18.8	N.A.	N.A.	17.7	1.6
Charlottesville	15.4	30.7	-50.8	3.2	N.A.	35.8	1.8	15.2	12.2	13.8
Danville	9.4	N.A.	-84.8	10.8	2.9	33.9	0.8	-5.4	10.6	18.6
Franklin	5.1	N.A.	N.A.	14.3	6.7	13.9	N.A.	0.7	0.0	-3.1
Fredericksburg	15.8	23.1	71.4	N.A.	-0.9	31.9	N.A.	-3.5	20.1	26.1
Harrisonburg	6.3	22.7	1213.8	N.A.	6.0	19.4	N.A.	-1.3	-0.8	80.9
Lynchburg	19.4	21.9	-55.1	10.5	N.A.	54.5	N.A.	7.7	13.7	10.5
Newport News - Hampton	13.7	5.1	87.9	-2.4	2.6	70.9	4.1	11.6	10.6	21.6
Norfolk - Va. Beach - Portsmouth	11.7	1.5	6.4	4.4	5.2	49.7	4.0	3.5	12.3	18.7
Petersburg	11.5	-32.3	-81.5	N.A.	8.6	89.7	N.A.	0.0	4.8	18.0
Richmond	15.5	18.3	72.6	16.1	8.1	50.0	2.4	9.2	11.7	16.3
Roanoke	19.5	32.2	-65.3	11.2	15.8	59.1	4.4	5.0	15.9	28.4
Staunton	3.4	5.0	1.7	N.A.	-10.0	30.2	N.A.	N.A.	-1.7	7.4
Williamsburg	11.5	-23.6	9.3	5.5	N.A.	27.8	N.A.	19.0	17.2	12.5
Winchester	11.3	41.7	748.7	9.7	-1.7	35.1	N.A.	7.1	-0.6	24.8

TABLE III

Percentage Change January - December from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Nov. RETAIL SALES
The State		16.5	42.8	6.1	8.8	25.7	1.2	1.0	10.1	19.3
Alexandria	8.8	-4.1	152.0	5.4	N.A.	24.1	3.9	0.0	13.8	18.5
Bristol	16.9	20.7	22.5	0.3	3.1	39.9	N.A.	22.2	16.2	8.6
Cape Charles - Exmore	8.6	23.0	132.3	1.6	N.A.	24.4	N.A.	N.A.	0.8	9.1
Charlottesville	12.2	27.3	-11.9	2.5	N.A.	29.6	N.A.	1.7	8.1	13.7
Danville	6.7	N.A.	5.7	7.0	10.8	47.9	N.A.	-6.0	-4.2	11.1
Franklin	1.6	N.A.	N.A.	5.9	1.1	11.0	N.A.	-3.3	-1.1	6.5
Fredericksburg	11.7	27.1	86.5	N.A.	9.2	27.1	N.A.	-29.8	16.0	20.5
Harrisonburg	9.9	23.3	220.3	N.A.	8.6	19.9	N.A.	5.7	3.9	56.8
Lynchburg	15.2	33.9	36.7	4.1	N.A.	41.5	N.A.	1.7	8.4	10.4
Newport News - Hampton	10.8	15.3	0.4	3.0	N.A.	23.8	4.0	6.5	11.3	13.4
Norfolk - Va. Beach - Portsmouth	10.8	19.7	47.7	4.5	8.5	24.7	2.7	-1.1	12.8	16.7
Petersburg	12.8	24.1	-11.2	N.A.	7.8	35.9	N.A.	0.5	7.2	15.7
Richmond	10.6	14.3	21.6	13.8	5.1	24.6	0.7	2.2	11.6	17.2
Roanoke	12.2	29.5	20.5	4.5	12.3	29.6	2.2	1.1	10.1	15.6
Staunton	6.9	18.2	-20.6	N.A.	0.8	16.8	N.A.	N.A.	1.8	7.3
Williamsburg	2.1	-25.9	73.7	1.9	N.A.	25.7	N.A.	-3.1	5.3	15.3
Winchester	10.1	22.3	6.3	5.4	19.2	29.2	N.A.	8.4	-1.2	22.4

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

Just What Sort of Business Graduate?

(This article was written by Chessie Professor of Business Administration Marvin M. Stanley who teaches Business Policy and Transportation Management in the MBA degree program.)

Shotaro Ishihara was born and raised in Japan. He is a Japanese citizen. He also holds an MBA degree from William and Mary's School of Business Administration, where he graduated in December 1983, one of a number of young Japanese who have come, and still are coming, to the United States for graduate business education. The faculty and his fellow students call him "Shoti." He will make a good Japanese businessman, one of our nation's business competitors.

Shoti, became interested in what American business management wanted as characteristics and skills in the young business school graduates employed by their enterprises. He also wondered if the business schools were providing the sort of graduates desired by business executives.

To this end, Shoti undertook an independent research project during his final semester. The author served as his principal faculty adviser, but the basic data collection and analysis were done by Shoti.

Questionnaires were sent to 113 business schools and to 120 business enterprises, with sales volume between $1 million and $250 million, in the states of North Carolina, Virginia, West Virginia, Pennsylvania, Delaware, Maryland, Washington, D.C., and New Jersey — the so-called Mid-Atlantic region of the nation. All regional business schools professionally accredited by the American Assembly of Collegiate Schools of Business were included; the business enterprises were all manufacturing companies of consumer goods or a mix of consumer goods and industrial goods. Recipients of the questionnaires were Deans of the schools and either Presidents or Vice Presidents, Personnel, of the companies.

The return rate for the schools was 28.3%, 32 responses out of 113 questionnaires; for the business executives 16.7%, 20 out of 120 questionnaires. Given the way the samples were developed, the response rate is acceptably significant.

Shoti's questionnaire was constructed around two major categories: *Acquired Skills* — defined as knowledge or capabilities developed through the formal academic learning process; and *Personal Characteristics* — values or attitudes inherent in the individual, normally established at the time of entry into the business program, but susceptible to reevaluation or reexamination as a result of exposure to the educational process. Business executives and deans were asked to rank certain items by degree of importance.

Following is the ranking by business executives and business school deans of the ten most important *acquired skills:*

Business Schools	*Business Executives*
1. Ability to interact with other people	1. Ability to interact with other people
2. Oral communication	2. Oral communication
3. Analytical point of view	3. Written communication
4. Written Communication	4. Ability to set goals
5. Integrating factual information	5. Analytical point of view
6. Finance	6. Time management
7. Accounting	7. Integrating factual information
8. Business policy planning	8. Finance
9. Organizational behavior	9. Organizational behavior
10. Goal setting Information Systems (given equal rank)	10. Accounting

Following is the ranking by business executives and business school deans of the ten most important *personal characteristics:*

Business Schools	*Business Executives*
1. Ability to listen	1. Personal moral/ ethical integrity
2. Personal moral/ ethical integrity	2. Ability to work with others
3. Ability to work with others	3. Ability to listen
4. Confidence	4. Tolerance of individual differences
5. Perseverance	5. Perseverance
6. Decisiveness	6. Ability to follow instructions
7. Persuasiveness	7. Leadership
8. Tolerance of individual differences	8. Confidence
9. Creativity	9. Decisiveness
10. Ability to follow instructions	10. Ability to work alone

There is a considerable degree of unanimity among the respondent groups, but there were some significant differences. Also, there were some skills either ranked low in importance or not mentioned that may be disturbing by their absence. This is the first of a two-part article dealing with what business schools should be providing their students contrasted with what this admittedly limited survey indicates business wants. Should the business school lead or respond? More on this next month. MMS

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